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**State of Louisiana**  
DIVISION OF ADMINISTRATION  
OFFICE OF STATE UNIFORM PAYROLL

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COMMISSIONER OF ADMINISTRATION

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OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2000-17

TO: All UPS Agencies

FROM: Ronald S. Mitchell  
Director

SUBJECT: Employer's Contributions to Section 457  
Deferred Compensation Plan – RT20

Agencies, who have employees with Section 457 Deferred Compensation Plan (Uniform Payroll System code RT20) as their retirement plan in lieu of Social Security, are currently matching the employee share of contributions (6.2%). This office was recently notified that these employer contributions must be treated as wages for Medicare purposes. Note that RT20 is only authorized for use by agencies (hospitals) under LSU Medical Services – Health Care Services Division.

OSUP is unable to make any changes to the Uniform Payroll System to automatically calculate the Medicare wages and Medicare taxes for the employer contributions. Therefore, agencies who have employees with RT20 as their retirement plan must begin processing adjustments each payday to Medicare (ADJMW) for the employer share of contributions beginning with pay period ending 10/31/99 (11/05/99 payday). If the employee's salary changes each payroll, agencies will need to estimate the amount of the employer contribution before processing the ADJMW adjustment. If the employee's salary doesn't change each payroll, the employer amount can be found on the Biweekly Current Payroll Register (BL1460-01).

Once the ADJMW adjustments are processed, the employees will begin appearing on the Social Security/Medicare Wage Exception Report (BL1464-01). This will be a valid exception that will not require additional adjustments to clear them from the report. Agencies should make a notation on the report to identify the reason for the exception.

Although the employer's contribution to a Section 457 Deferred Compensation Plan must be treated as wages for Medicare purposes, Federal and State wages and taxes are not impacted. The employee will be subject to Federal and State taxes when they withdraw the money from the 457 Plan.

Questions regarding the laws on this matter should be directed to Linda Yelverton, State Social Security Administrator, at (225) 342-0026. Any questions regarding processing the adjustments should be directed to a member of the UPS Help Desk (225) 342-8928.

RSM:APH:kmb